

# Employer NEWS July 2005

*Indiana Public Employees' Retirement Fund*

## SERVICE CREDIT 101

New Team Devoted To Service Credit

*Service credit discrepancies must be identified as early as possible instead of waiting years down the road.*

In recent weeks, we have been focusing on identifying the major obstacles associated with processing service credit for our members. We have spoken with many of your colleagues across the state to make sure we understand what the issues are from an employer's perspective. As we suspected, those discussions confirmed that service credit validation is a difficult issue for you as an employer, especially in terms of getting a member's service credit cleaned up prior to retirement.

Service credit is the number one issue in processing a member's retirement, and is one of, if not the, most challenging coordination effort for PERF and employers in terms of getting a retirement benefit paid to members.

We understand that our requests for service data often drain your resources, because they are always time sensitive to processing a pending retirement application (see "New Retirement Option" on page 6). An employer representative recently said to us, "Service credit discrepancies must be identified as early as possible instead of waiting years down the road." For that reason, PERF recently established a new Service Credit Section to consolidate service certification into one department, and to begin tackling this issue.

*The Service Credit Section has been organized into the following three departments:*

- *Service credit associated with retirements processing*
- *Service credit reviews*
- *The purchase of additional service credit*

The creation of the Service Credit Team is our first in a series of steps to begin addressing this challenging issue. This change to PERF's organization will enable us to focus more efficiently on service credit, with the ultimate goal of improving accuracy and timeliness of retirements to your employees.

We are committed to addressing matters related to service credit with the ultimate goal of providing better, more accurate benefits to our members.

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*Funding your future.*

# PERF'S NEW EXECUTIVE DIRECTOR



**Appointed by Governor Mitch Daniels and the Board of Trustees:** March 8, 2005

**Born:** Louisville, KY

**Prior occupation:** Managing Partner of Estate Ventures, a real estate venture firm in Indianapolis

**Education:** Bachelors and Master's Degrees in Industrial Engineering from the University of Louisville

**O**n March 8, 2005, I proudly accepted an appointment by Governor Mitch Daniels to become PERF's Executive Director, and moved into public service from a career in the private sector.

I have spent much of my time and energy so far determining what our customers expect from us, asking the following questions: what is it we do well, what could we be doing better and what additional services would you like to see from PERF? The standards in 2005 and beyond revolve around meeting customer expectations of convenient access and individual choice.

In May, we surveyed nearly 20,000 active members, benefit recipients and employers searching for the changes they desire most from PERF. I have already begun to travel across the state to hear, firsthand, what our members and employers think of the Fund and how it can be improved. This process began with the Employer Advisory Group (EAG), which consists of representatives from various employers across the state – large and small. That discussion provided a lot of valuable insights about how PERF can improve relations with employers and members. However, the overriding theme was that our employers and members are willing partners in PERF's efforts to improve services.

*This transfer of focus from internal processes to customer service will be the hallmark of PERF's future, which I see as very bright.*

To keep track of our progress, we are implementing an agency scorecard. This measurement tool shows where we stand in terms of our goals and then allows us to set an ideal for each objective. I will report our progress to the Governor on a quarterly basis, and it will be a public document to hold us accountable.

The annual audit for fiscal year 2004 was completed with disappointing results. The State Board of Accounts report contained several repeat findings around one central issue – a lack of strong internal controls. PERF needs to make further investments in people, processes and technology to develop a stronger internal control structure.

The first steps have already taken place to address these issues. Charles Johnson was hired as the Chief Financial Officer to focus on internal controls. Johnson worked for the State Board of Accounts for 20 years, the last eight of which he served as the State Examiner. He has a thorough knowledge of PERF's challenges and is reviewing our financial infrastructure issues. Dave Huffman was also hired as Chief Technology Officer to confront pressing technology issues. His expertise will help raise the level of systems management in re-engineering key processes to increase the speed and accuracy of information.

The governor recently appointed three new board members to provide fresh leadership for the Fund. Kendall Cochran, Kathy Etensohn and Matthew Murphy, III, will join Robert Welch, Jr., on the PERF Board. One position remains open. Charles Shalliol, Director of Office of Management and Budget, will also join the board after July 1.

PERF has undergone many changes in recent years and has struggled to keep pace. New demands for services will inevitably increase. With this tremendous change comes a tendency to look inward for solutions, rather than reaching out to our member and employer partners to identify mutually beneficial responses to problems. This transfer of focus from internal processes to customer service will be the hallmark of PERF's future, which I see as very bright.

Sincerely,

David J. Adams  
Executive Director

# NEW LEADERSHIP FOR PERF



Left photo: Charles Johnson, right: David Huffman

*“We need to embrace our mission and believe that we are already the organization we want to be and then go make sure that it happens. If we do this, we’ll accomplish great things.”*

—Charles Johnson

strong internal control structure. “We need to act like we already are the organization we want to be and then go make sure it happens, If we do this, we’ll accomplish great things,” he said.

**T**wo new executives have joined the leadership at PERF as part of the focus on re-engineering processes and technology.

Charles Johnson walked across the street to fill the position of Chief Financial Officer. Johnson spent 20 years with the Indiana State Board of Accounts (SBOA), the last eight as Chief Examiner. His experience and understanding of PERF will help the Fund build a

Chief Technology Officer David A. Huffman left the private sector for a newly created position. He will oversee operations and development of all technology related issues. Those results will include new on-line services for PERF employers and members. Huffman’s experience in systems management includes pension systems. He said, “It’s everyone’s responsibility to assist in re-engineering the system. Rethinking processes will improve PERF.”

## About Authorized Agents

*Authorized Agents are persons responsible for pension liability on behalf of an employer who must be named in a resolution.*

### **An Election Often Means New Officials**

Political subdivisions are cautioned to be certain that the actual governing body (a city council, public library board, etc.) makes ALL decisions about PERF-related matters. Employing agencies must pay any PERF pension promises made by their Authorized Agent. PERF urges employers to maintain copies of these promises, made through resolutions, in permanent files. This ensures continuity in PERF administration.

### **EXAMPLES OF ACTIONS THAT MUST BE SIGNED BY THE AUTHORIZED AGENT INCLUDE:**

- **Certifications of Creditable Service**
- **Employer Rate Letters**
- **Membership Records**
- **Refund Applications**
- **Requests to Extend Additional Credit**
- **Wage and Contribution Adjustment and Summary Sheets**

### **More Than One Agent**

If an organization has more than one agent, an authorizing resolution must be on file including ALL persons authorized, even if some of those named were included in earlier resolutions. By law,

resolutions are not added to earlier instructions, but replace previous resolutions. Failure to include all names may mean the employer has mistakenly dropped a current authorized agent from the list of approved signators on file at PERF.

If an employer has assigned pension administration authorization to an elected official and that person is not re-elected; the new official can inform PERF of the change with a letter on letterhead. The letter should include the new signature and any stamp or initials for authorization. A new resolution is not necessary.

Authorized Agent signatures on PERF forms must be consistent with those in PERF’s files. No other signatures are acceptable and any documents lacking the required Authorized Agent signature will be returned.

### **Using Signature Stamps with Initials**

Authorized agents who want to allow use of a signature stamp by those processing PERF forms must send a letter on their letterhead to PERF. The letter should say that the agent will allow the use of specified initials (e.g., LF or EPG) plus a stamp as the agent’s signature on PERF documents. The Authorized Agent must sign this letter.

# WAGE & CONTRIBUTION REPORTING

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**E**mployers' wage and contribution reports must arrive by the 15th of the month following the end of each quarter. Contributions for the first quarter of 2005 should have been sent by April 15 and second quarter contributions are due on July 15. Late payments and reporting of member information can cause incorrect contributions and earnings calculations, resulting in inaccurate quarterly member statements. Indiana Code provides the PERF Board with the discretion to impose a fine of \$100 per day for late reports, records and payments.

## ***New And Direct Contact Information***

PERF has taken significant steps to improve service to employers dealing with wage and contributions issues. To receive help as quickly as possible, be sure to contact Wage and Contributions via their newly dedicated phone number or e-mail address. The phone number is (317) 234-3890 and the email address is [perfwc@perf.in.gov](mailto:perfwc@perf.in.gov).

***For more information, please visit PERF's website  
[www.perf.in.gov](http://www.perf.in.gov).***

## ***Where To Send Report Summaries And Checks***

Do NOT send checks to PERF's office. Send a copy of your summary along with a check to:

***PERF Accounting Department  
P.O. Box 66165  
Indianapolis, IN 46266***

You may send your payment via Automated Clearing House (ACH). The ABA number is 0740-0001-0 and the account number is 700039000958. Please FAX the summary to Robin Kendall at (317) 233-2815.

Employers who ***upload their report*** via the website should also ***fax a copy*** of their summary.

Employers who MAIL their information should send a copy of the summary along with their quarterly wage and contribution report to:

***PERF  
143 West Market Street, Third Floor  
Indianapolis, IN 46204***

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## Stay In Touch With PERF



## ***FIND AN EMPLOYER MEETING NEAR YOU***

***Tony Prizevoits, PERF's Outreach Director***, shakes hands with E.J. Kline from the Hancock County Public Library after answering his questions about PERF Employer Meetings serve to educate employers about their responsibilities to PERF and also about how to help their employees navigate membership in the Fund. On Jan. 1 of this year, PERF began expanding Outreach services to include outlying areas in Indiana. PERF aims to hold Outreach meetings in all regions of the state at least twice a year. To find the employer meeting nearest you, call toll-free 1-888-526-1687. An Outreach Calendar of meetings will soon be online at [www.perf.in.gov](http://www.perf.in.gov).

## ***PRE-RETIREMENT WORKSHOPS OFFERED***

PERF members retiring by May 1, 2006, should sign-up for a Pre-Retirement Workshop by calling 888-526-1687 (toll-free). At these workshops, Outreach Representatives explain PERF's retirement process, help members complete the retirement application and provide a benefits estimate.

# LEGISLATIVE UPDATES

## **OFFICE OF MANAGEMENT AND BUDGET**

The Office of Management and Budget (OMB) was created within the state budget bill. PERF will report to the OMB as part of their portfolio of financial institutions.

## **CHANGES TO PERF'S BOARD OF TRUSTEES**

Effective July 1, 2005, the five-member PERF Board of Trustees has been expanded to six with the addition of the Director of the Office of Management and Budget or the director's designee.

## **COST OF LIVING ADJUSTMENT (COLA)**

A Cost of Living Adjustment (COLA) was passed for PERF members collecting pension or disability benefits. Members who retired or became disabled before July 2, 1990 will receive a 2 percent increase. Members who retired or became disabled after July 1, 1990, and before Jan. 1, 2005, will receive a 1.5 percent increase.

## **13th CHECK**

Those entitled to a monthly benefit payment on November 1, 2005 will receive a one-time payment based on their pension amount. This "13th check" will be paid by PERF on or before December 1, 2005.

## **HIGHER EXEMPT AMOUNT FOR PERF RETIREES**

Retired members who are re-employed in a PERF-covered position, and younger than Social Security's normal retirement age, will be now be allowed to earn \$35,000 per year before their retirement benefit stops—a \$10,000 increase.

## **TEN-YEAR INACTIVE ACCOUNTS**

Interest on suspended members' accounts prior to July 1, 2005, will be treated as properly credited. Interest on Guaranteed Fund investments after July 1, 2005, will be withheld from members who are in the ten-year inactive status, as required by law.

## **ANNUITY SAVINGS ACCOUNT**

The PERF Board of Trustees may decide when to value a retired, disabled or suspended member's Annuity Savings Account. The Board may also establish the date on which members who choose to defer receipt of their Annuity Savings Accounts may later choose to receive an account distribution. In addition, the Board has been given the power to change account valuation dates and the date that investment options become effective.

The Board may also decide the increments in which a member may invest and how frequently contributions will be allocated to member accounts.

## **SPECIAL DEATH BENEFIT FUND**

HB 1600 permits private universities to purchase coverage from the special death benefit fund for all the firefighters and police officers they employ. It also allows private colleges and junior colleges to purchase line-of-duty death benefit coverage for police officers. This act covers those who died in the line of duty after June 30, 2004 and before July 1, 2005.

## **DEFERRED COMPENSATION PLAN AND RETIREMENT MEDICAL BENEFIT ACCOUNT**

Political subdivisions may offer employees both the state employees' deferred compensation plan and a deferred compensation that uses one or more private vendors. This law also requires that state employees be able to convert unused accrued excess leave to the state deferred compensation plan or to a retirement medical benefit account that is required to be established by the PERF Board of Trustees.

## **LOCAL GOVERNMENT**

An individual who has been elected to county office at least two times, but who does not serve eight full years because the term is cut short to make the terms uniform is entitled to vested status in PERF.

## **EFFECTIVE JULY 1, 2006:**

### **RELEASE OF SOCIAL SECURITY NUMBERS**

State agencies may not release Social Security numbers unless it is required by law or court order, authorized by the individual, made to comply with the USA Patriot Act or Presidential Executive Order 13224 or disclosed to a commercial entity for permissible uses set forth in the Drivers Privacy Protection Act, the Fair Credit Reporting Act or the Financial Modernization Act of 1999. Revealing the last four digits of a Social Security number is not considered a disclosure. State agencies must notify individuals of security breaches. If more than 1,000 people are affected, state agencies must notify all consumer-reporting agencies. It is a Class D felony to knowingly, intentionally or recklessly disclose or make false representation to obtain a social security number. Agency employees who negligently disclose Social Security numbers commit a Class A infraction.

*For questions regarding this, or any other information in this publication, contact PERF's Call Center between the hours of 8AM and 5PM at 1-888-526-1687.*

**CURRENT LEGISLATIVE UPDATES ARE ALSO AVAILABLE ON THE FUND WEBSITE**

***www.perf.in.gov***



# NEW RETIREMENT OPTION

PERF will offer a new choice for members with an effective retirement date on or after July 1, 2005, who elect to withdraw their entire Annuity Savings Account balance in a single (lump sum) payment at retirement.

As you know, PERF retirement benefits consist of two separate pieces:

- 1. A pension financed by you (the employer), and
- 2. The member's Annuity Savings Account (ASA).

Traditionally, the payout of the ASA was only done in conjunction with the pension benefit. In order to process the pension benefit, PERF must verify a great deal of information with members and their former employer(s). In difficult cases, this process can take six months or more to complete. The amount in a member's ASA, however, is not tied to that information and could be paid separately from the pension benefit.

As a new service, members may now choose to receive a lump sum payment of their ASA as soon as PERF verifies their final day in pay status. Payment of the ASA can be made while we work to finalize the information to make the payment of the pension portion of the benefit.

Members may also choose to wait for a distribution of their Annuity Savings Account with the pension benefit, combining their ASA and pension benefit into a lifetime annuity. They may also defer distribution until age 70<sup>1/2</sup>. This new payment option applies only to members who take a single payment of their ASA at retirement. The ability to request a partial lump sum withdrawal will be coming in the near future.

At retirement your employees will make a choice as to how they want their ASA paid to them. The ASA payment option they choose has a direct impact on the amount they receive from PERF each month. The table below is an example of how the payment choices differ.

IMAGINARY PERF MEMBER:

- Retires at age 65
- Years of service - 25
- Final average salary - \$20,000
- ASA balance at retirement - \$15,000

| PERF BENEFIT PAYMENTS  | OPTION 1: lump sum (minus taxes) at retirement | OPTION 2: ASA combined with monthly pension benefit |
|--|--|---|
| PAYMENTS   | W/ OPTION 1                                    | W/ OPTION 2   |
| One-time payment at retirement   | \$ 12,000.00*                                  | not applicable                                      |
| Total monthly pension amount**   | 458.33   | 458.33  |
| Total monthly annuity amount   | not applicable                                 | 137.88  |
| Total monthly benefit from PERF  | 458.33   | \$ 596.21   |
| Total received by a male over an expected retired lifespan of 16.4 years   | \$105,199.34 ***                               | \$ 117,334.12                                       |
| Total received by a female over an expected retired lifespan of 19.4 years | \$121,699.22 ***                               | \$ 138,797.68                                       |

This example was prepared using the benefits calculator on PERF's website at [www.perf.in.gov](http://www.perf.in.gov). A member's PERF retirement benefit can only be determined using his/her actual account information. Members are urged to consider their retirement options carefully and to consult with retirement counselors at PERF or a trusted financial advisor when making retirement choices.

\* 20% will be withheld for federal taxes

\*\* Normal retirement, no beneficiary age entered

\*\*\* Members of PERF have the option of continuing to invest their Annuity Savings Account after retirement until they reach the age of 70 1/2. This amount reflects a payment of the Annuity Savings Account by PERF at retirement with no additional investment income to the account after retirement.

# 10-YEAR INACTIVE ACCOUNTS

*Although the following information affects members who haven't worked in a PERF-covered position for some time, employers may get questions from members who hear about this provision of the Annuity Savings Account plan. We are including the details below for your information.*

**S**tate law requires PERF to stop paying interest on suspended accounts with no activity for ten years. This applies only to non-vested members (less than 10 years of service). As of June 30, 2005, suspended members will no longer receive interest on their accounts.

Members may want to consider taking a refund of their accounts. If they return to PERF-covered employment at a later date, their prior years of service will be reinstated and added to any new service to be used towards eligibility for a future pension benefit.

## **EXCEPTION: 45-YEAR RULE**

If you have employees who moved out of a PERF-covered position, but remained employed with the same employer, they would be entitled to continue receiving interest credit for up to 45 years.

## **Examples of members affected by this exception:**

- University employees who work for less than ten years in a PERF-covered position, then accept another position within the university that is not covered by PERF;
- Full-time employees who work for less than ten years in a covered position, then accept a part-time position within the same employer that is not covered by PERF; or,
- Employees who work less than ten years in a PERF-covered position, then accept a position with the same employer that is covered under another retirement fund.

## Employer Survey Results

**I**n May, PERF emailed surveys to employers to learn what we're doing well and what we need to improve. Fifty-four percent (54%) of employers contacted completed the survey. Their input will help make PERF a more responsive organization.

Survey responses came from employers of all sizes. Forty-percent (40%) of responses came from employers with 100 or fewer employees. Nine-percent (9%) of responses came from employers with 1,000 or more employees. One hundred percent (100%) of employers with 1,000 or more employees responded. Two responses came from employers with less than three employees.

### **What employers like about PERF:**

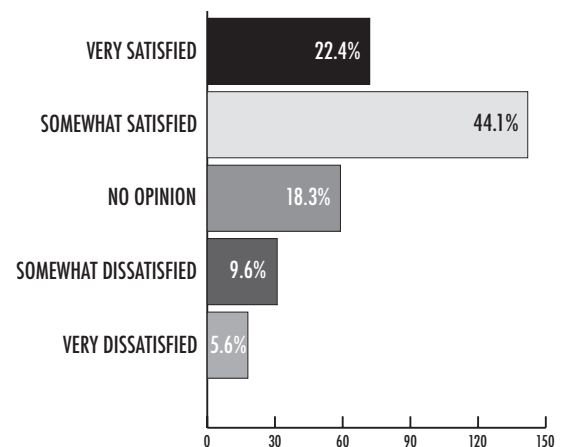
- Outreach Services
- Newsletters
- Web site

### **What employers would like to see from PERF:**

- Improved service credit process, including the ability to process electronically
- More employee education of the Defined Benefit Pension
- Employer handbook
- Dedicated resources for employers
- Wage and contributions process
- The capability to submit membership records electronically
- Employer training seminars
- Self-service capabilities on the web

### **WE ASKED EMPLOYERS HOW THEY FELT ABOUT PERF'S CURRENT SERVICES:**

**How satisfied are you with the timely processing of requests you send to PERF?**



# QUICK TIPS

## T1 DIRECT DEPOSIT REMINDER

PERF direct deposit forms require two signatures: the member's and his or her banker's. PERF makes Direct Deposit Request forms available on the web site, [www.perf.in.gov](http://www.perf.in.gov). Please remind your employees that direct deposit is a safe and convenient way to receive payments, including any from PERF.

## T2 ENCOURAGE MEMBERS TO KEEP THEIR ADDRESS AND BENEFICIARY DESIGNATIONS CURRENT

Members must change their own address and beneficiary information with PERF in writing. They may obtain the appropriate forms on PERF's website, [www.perf.in.gov](http://www.perf.in.gov). Too often, members inform their employers of an address or beneficiary change without contacting PERF.

## T3 MEMBERSHIP AND ENROLLMENT

1. Ensure that the employee's position is PERF-covered. If uncertain, call us at 888-526-1687 and ask us to check that our records include the position.
2. The Social Security numbers on pages one and two should be the same.
3. Check every line of the record for completeness and accuracy.
4. Make sure the authorized agent signs the record. A stamp is not acceptable unless the agent has designated someone and PERF has record of that person's initials.

When Membership Records are rejected for additional information, you will be notified via a letter with the name of the PERF employee who processed the form. We ask that you provide us with corrected information within two weeks when a Membership Record has been rejected by contacting the processor who sent the notification.

Eligible full-time employees who are in a covered position must be enrolled as members of PERF and must also begin deducting and paying the contributions from the employee's compensation beginning on the hire date. The employer is required to submit the membership record to PERF not more than 30 days after the member's date of hire. PERF does not extend membership to part-time or temporary employees hired after June 30, 1982. This includes school employees in positions that require less than 600 hours of service per year and non-school employees in positions that require less than 1,000 hours of service per year.

## T4 A CHANGE TO PERF'S ESTIMATE OF BENEFITS

The Fund's estimate of retirement benefits form has a new look but the estimate process has not changed. Members who are within a year of retirement eligibility must still request an estimate by submitting a completed Request for Estimate of Benefits form to PERF's offices. The request form is available on our website ([www.perf.in.gov](http://www.perf.in.gov)), but members can also receive one by calling our toll-free number at 888-526-1687.

## Rates of Return

*These are the rates of return for PERF's Annuity Savings Account investment funds for the Quarter Ended June 30, 2005:*

| 2005                                   |               |
|--|---------------|
| <b>GUARANTEED FUND</b>                 | <b>1.53 %</b> |
| <b>MONEY MARKET FUND</b>               | <b>0.73</b>   |
| <b>BOND FUND</b>                       | <b>3.05</b>   |
| <b>S&amp;P 500 STOCK INDEX FUND</b>    | <b>1.37</b>   |
| <b>U.S. SMALL COMPANIES STOCK FUND</b> | <b>3.01</b>   |
| <b>INTERNATIONAL EQUITY INDEX FUND</b> | <b>-0.96</b>  |

## Employer NEWS

A publication of the Indiana Public Employees' Retirement Fund, a system of six retirement plans designed in partnership with employers and elected officials to provide secure long-term retirement benefits for employees who choose careers in public service.

*All information in this publication applies solely to the Public Employees' Retirement Fund and not the other retirement plans administered by PERE*

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